

graphic arts monthly

THE MAGAZINE OF THE PRINTING INDUSTRY

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Sales offices: (212) 463-6828
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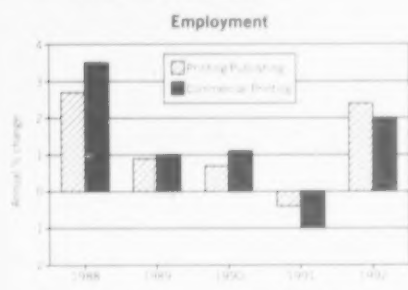
Bulk-Rate U.S. Postage Paid
Denver, CO
(Third-class material is enclosed)

Graphic Arts Monthly (ISSN 1047-9325) (RPUA 123397457), including The Printing Industry and Business Graphics®, is published monthly by The Cahners Publishing Company, A Division of Reed Publishing USA, 275 Washington St., Newton, MA 02458-1630. Terrence M. McDermott, President; Frank Sibley, Executive Vice President; Robert T. Brown, Senior Vice President/General Manager; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Senior Vice President/Finance; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources; Barrie Stern, Director of Art Department. Executive, editorial, and advertising offices: 249 W. 17th St., New York, NY 10011. Subscription to individuals in the U.S.A. and its territories: \$79.95 a year (\$144.95 for two years). Mexico: \$144.95 a year (\$264.95 for two years). Canada: \$155.10 a year (\$283.50 for two years); rate includes 7% Goods and Services Tax. All other nations: \$159.95 (\$289.95 for two years) surface mail; \$259.95 a year (\$489.95 for two years) via airmail. All issues are included in the subscription. Single copies: \$10.00, except for February issue: \$50.00. Print Market Outlook, monthly management newsletter, available for \$129.00. Third-class postage paid at Denver, CO 80206-5800 and at additional mailing office. Printed in U.S.A. Circulation records are maintained at 44 Cook St., Denver, CO 80206-5800. Tel: (303) 388-4511. Graphic Arts Monthly® is a registered trademark of Reed Properties, Inc., used under license. © Copyright 1991 by Reed Publishing USA; Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer. All Rights Reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage retrieval system, without permission of the copyright owner. Prices for bulk reprints of articles available on request. Copies of back issues are available on microfilm from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, MI 48106. (ISSN 1047-9325)

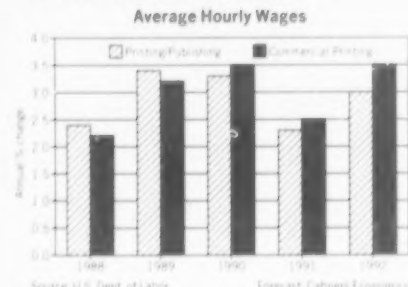
POSTMASTER: Please send address changes to Graphic Arts Monthly, P.O. Box 173377, Denver, CO 80217-3377.

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Industry Employment on The Decline



Average Hourly Wages Increase At Moderate Pace



From June 1990 to June 1991, employment in the printing and publishing industry declined by 45,700 workers. This represents the first time in more than a decade that annual industry employment decreased. Commercial printing, which usually has the highest employment growth in the industry, has lately been experiencing a loss. Employment was down 18,800 workers in June 1991, as compared to a year ago, representing 41% of the total industry loss in that time period. Since employment in the book and periodical publishing sectors has been on the decline for over a year, job losses this year have been moderate. The outlook for total printing and publishing employment is grim. By the end of this year, industry employment will have fallen 2% to just under 1.54 million workers. Employment in the commercial printing sector will slip 1.9%, but start turning around with 548,000 employees by year-end. Slow but steady growth, in the 1.5% to 2.5% range, is projected for 1992 and 1993.

Despite the slow growth in employment, average hourly wages paid to printing and publishing employees continue to grow at a steady pace. In June 1991, industry wages averaged \$11.44 per hour, up from \$11.16 the year before. In commercial printing, wages stood at \$11.68, as compared to \$11.44 a year ago. The printing sector with the highest wages—printing trade services—has actually seen the slowest wage growth (only 1.1%) in the past 12 months. In order to keep the best workers now and attract new workers when business activity picks up, printers continue to modestly increase wages paid to production workers. Commercial printing wages are projected to grow 2.3% this year, followed by 3% gains in the following two years. For the whole industry, hourly wages should grow 2.4% in 1991, 2.7% in 1992, and 3% in 1992.

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This month's datatable highlights the continued gains in industry labor productivity. In June, the productivity index stood at 115.6 (1977=100), up from 111.5 a year ago. This increase stems from the fact that total number of employee hours worked has declined faster than total output. As activity begins picking up next year, output will increase faster than employment growth, and productivity rates will once again see a big jump. Cahners projects a 2% gain this year, followed by a 3.1% rise in 1992.

SUPPLY INDICATORS

	Annual Percent Change						
Employment (1)	Jun 90	May 91	Jun 91	1990	1991	1992	1993
Printing & Publishing	11.2%	11.4%	11.3%	7.7	2.0	1.8	2.1
Commercial printing	11.2%	11.4%	11.3%	7.1	1.9	1.9	2.1
Productivity (2)							
Printing & Publishing	11.2%	11.4%	11.3%	8.8	2.0	2.1	2.1
Average Hourly Earnings (3)							
Printing & Publishing	11.1%	11.4%	11.1%	7.1	2.4	2.0	2.0
Commercial printing	11.1%	11.4%	11.1%	6.9	2.4	2.0	2.0
	Q4/89	Q3/90	Q4/90	1990	1991	1992	1993
Graphic Arts Machinery (4)							
New orders	11.4%	11.4%	11.5%	11.2	1.5	4.1	1.4
Shipments	11.0%	11.1%	11.4%	9.5	2.6	2.7	2.6
Graphic Arts Supplies (4)							
Shipments	11.0%	11.1%	11.4%	1.1	4.6	2.7	2.7

Advertising Moves To the Desktop

Advertising, by definition, is an evolving business. And the printers that cater to this market have been part of an evolution itself, despite the (currently) poor economy.

In the 1990s, advertising printers will not only be going green, but will find themselves responding to an increasing demand for prepress and desktop capabilities. Moreover, there is a common sentiment among advertising printers: while sales might be level or somewhat down for 1991, they haven't given up, and are determined to rise to the challenge. Often this challenge is answered with the addition of new staff or equipment.

According to *PrintMarkets*, published by Trade and Technology Press in Stamford, Conn., printers that fit into the advertising category print one or all of the following: product and service announcements; corporate brochures and booklets; advertising circulars and flyers; product and capability handouts; point-of-purchase handouts; and magazine inserts and bind-ins.

One of these printers, at least, is "busy right now": Bill Abene, president of Moebius Printing Company in Milwaukee. He explains that although his company

Advertising printers will 'go green' and embrace desktop publishing to offset lagging business.

has orders through October, "We don't see the market firming up." One of the things Moebius is doing to better serve its market, is to add ink-jet and selective binding equipment, hopefully by the end of the fourth quarter of this year. In the meantime, the presses at Moebius are running, and that certainly pleases the company's newly-appointed president. Moebius prints about \$27 million-worth of advertising materials.

Another company that has seen a recent change in both management style and even some personnel is Bradley Printing of Des Plaines, Ill. With a \$29 million sales volume in this niche alone, Bradley is focusing on a the Deming-type management style, which pushes more responsibility to the bottom line. Lee Zierten, senior vice president/sales and marketing, says that this trend toward open management directly follows the revelation "that the ego-driven management style of the '80s didn't work." A result of the new cor-

porate style, he adds, "is that the attitudes of the printers and print buyers has changed, and the spirit of cooperation between them is much better than it was four or five years ago."

According to John Pope, president of Williams Printing in Atlanta (one of Graphic Industries' 47 holdings), there has been a fundamental change in the way buyers purchase their advertising printing. "What they want now is to have it right away, and they don't want any compromises on quality," he explains. Pope sees a trend among buyers where price is taking a back seat to quality and turnaround. "If you can give the people what they want, in the time that they need it, and the quality they need, then price is not as big a factor," he adds.

Graphic Industries recently backed up its long-held quality-minded attitude by instituting a formalized "total quality" program throughout the company. Pope believes all "printers are going to have to do that (total

By Bridget Kinsella Arajs
Assistant Editor



Peter Neumann

quality management) not only for themselves, but because the clients are demanding it."

The clients in the advertising printing field also seem to be demanding electronic publishing and image manipulation technology. "The major thing advertising clients are asking for, or have a need for, or are making sure that we have the capabilities for, is electronic prepress," says J.D. Droge, vice president/sales and marketing of the Portland, Ore.-based Graphic Arts Center. The printer currently has two systems, a Scitex and a DS America, and recently installed an eight-color Heidelberg sheetfed press.

Any equipment investment requires a great deal of thought and, before committing his company's money, Droge did his homework. He also sought the advice of some experts: "I asked some designers, 'If we had an eight-color press would you use it?' And they said, 'Give us 10 colors.'"

Typical Products

*Product & Service Announcements
Corporate Brochures & Booklets
Advertising Circulars & Flyers
Product & Capability Handouts
Point-of-Purchase Handouts
Magazine Inserts & Bind-ins*

Typical Users

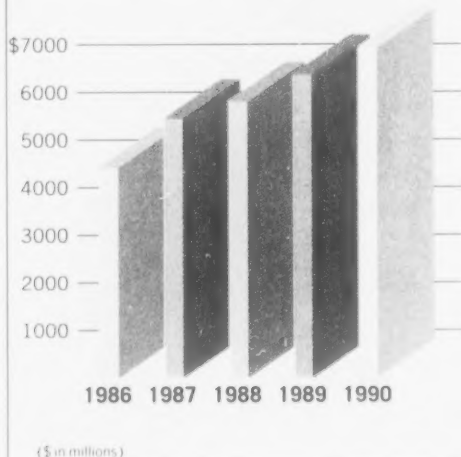
*Manufacturers
Wholesalers
Retailers
Service Companies
Independent Consultants
Marketers*

In Atlanta, Williams Printing is, according to its president, "heavily into desktop" and does mostly high-end separations on its Scitex system. Pope explains: "More and more, customers come in with disks and we have to accommodate them. They want to be able to get into the system and do retouching and manipulation." Williams currently operates three shifts in this department.

The demand for prepress capabilities has been growing for some time, yet the number of printers that can fully meet the demand falls remarkably short. Even well-equipped printers like Bradley find that it cannot fill the demand completely. "Demand for electronic production is outpacing capacity," says Zierten, adding, "And we have more capacity than anyone." Zierten estimates the increase in the demand for prepress at his shop to be about 20%, and recognizes this as a growth opportunity.

Advertising Printers

1990 Print Sales: \$6,933 (millions) ^e



Advertising Printers

Rank	Company	Sales in millions*
1	Graphic Industries, Inc.	105.0
2	Valassis Inserts	80.0
3	The Hibbert Group	45.0
4	Alden Press, Inc.	40.0
5	Anderson Lithograph	38.0
6	Graphic Arts Center	35.0
7	Direct Communications Group	30.0
8	George Rice & Sons	30.0
9	Bradley Printing	29.0
10	Moebius Printing Company	27.0

*Note: Preliminary Ranking e = estimate Source: PrintMarkets

Excess demand is not necessarily a bad thing. Perhaps in recognition of this growth area, Moebius Printing, which at the time does not have a prepress department, is actively investigating its benefits. Even the printers already into prepress want to stay on top of the new developments. After all, as Zierten puts it, "New technology comes out almost weekly."

"Anybody that doesn't take a look at what's going on is going to have a problem," predicts Pope. Management at Williams Printing, and the other Graphic Industries holdings, will be in attendance at Print 91. And, while

Pope would not say that they are necessarily going to buy, his team has a definite mission: "To make sure that we are where we want to be and see what's coming on line."

The ability to deliver what your client wants is a time-tested recipe for success. Most of the printers we talked with agreed that recycled papers and soy-bean inks are in high demand in the advertising printing field.

While it is true that the economy typically generates trends and swings in the printing industry (as well as most other industries, for that matter), in the '90s advertising print buyers are concerned with the ecology (or at least with their clients' image of them as an environmentally friendly company.)

"Ever since the decade began, the '90s have become all ecology, recycled papers and soy inks," comments Bob Czerniak, vice president/print operations at Bradley. Czerniak says that his company is involved with the Environmental Protection Agency and ink suppliers in a program called *Partners in Pollution*. His company's goal is to reduce its volatile organic compound emissions by 25% this year, and to be in complete compliance with the Clean Air Act regulations by 1995.

More of the printing customers at Williams Printing are asking for two estimates—one using recycled paper. "Some of them do it (use recycled papers), and some of them don't," says Pope, who points out that recycled papers are still typically more expensive.

Staying ahead of the competition in equipment and product quality are two important strategies; however, the forward-looking printer is realizing that he/she needs to pay more attention to market share as well. Advertising agencies have reported decreased business, yet the print-

ers who serve this market are seeing not a decrease in job orders, but a reduction in press run and special effects. For example, the advertiser who in previous years had ordered 100,000 four-color brochures is skimming its order back to 75,000 or reducing its use of color. The truth is that most advertisers have cut their budgets, and resourceful printers have found ways to retain or expand their business.

The print market has been more difficult this year because people are reducing their run lengths and ad budgets," concurs Droge. "So you just have to work that much smarter and that much harder to stay on top of things." While the printing facility for Graphic Arts Center is located in Portland, the company has 10 regional sales offices throughout the country, and just added to its sales team, which now totals 48 people.

"The market has been soft," Droge says, "but we've maintained some small growth." Graphic Arts Center has an advertising sales volume of \$35 million, according to *PrintMarkets*.

Williams Printing attributes its success to additional sales people and moving into different markets. As its president, Pope says his business has picked up in the past few months, and although it looks as if his company will realize an 8% sales increase, he is still knocking on wood, because "We just don't know if this is going to continue."

"You can't sit back anymore and say, 'Okay, these are my old clients, I'll just wait for them to come around,'" Pope advises. "You have to go out aggressively and seek out new accounts and markets, because if you don't, you're gonna die."

In a soft market, that's not being pessimistic, that's just plain common sense. ■

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America the Printable



Let's see. The United States of America—3.5 million square miles of purple mountain majesties and amber waves of grain, not to mention cities, towns, parks, lakes, rivers, and beaches, plus somewhere around 250 million people.

And, certainly not least, home of the world's largest single print market, as measured in terms of value added, consumption of printed products, or number of operating printing plants. The United States accounts for roughly 45% of the world's printing activity.

That percentage is probably going to diminish, not because of any malaise in the nation's printing industry—as we will see, it's doing fairly well—but because of changes in what until recently was called the Eastern Bloc.

But we'll save that talk for another time. Here in the U.S., the printing industry is one of the largest manufacturing industries, with more than 50,000 sites. Although the ongoing recession has affected printing along with other economic sectors, it is still relatively healthy. Printing Industries of America's Economics department showed total industry sales growth of 7.2% between 1989 and 1990, even after adjustment for inflation (around 2%

according to the Administration, 5% according to everyone else), a growth rate substantially faster than the general economy's.

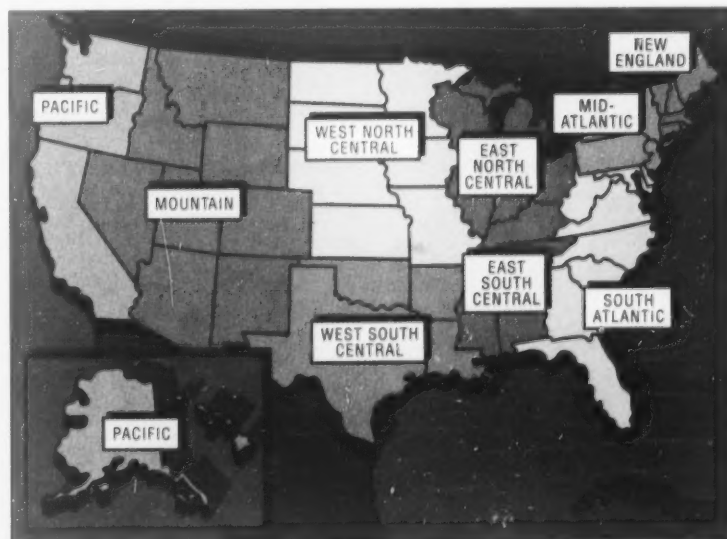
PIA is projecting total shipments of \$82.2 billion for 1991, up 6.3%. Once again, the printing industry will outperform the economy by better than two to one.

This growth is expected to be anything but uniform. The U.S. printing industry is divided both by market segment (e.g., commercial, books, inserts, etc.) and geographically. The five states for which PIA is projecting the greatest growth for 1990-1991 are Alaska (9.7%), Arizona (8.2%), Florida (8.2%), Nevada (8.1%) and Colorado (7.8%).

The bottom five, by contrast, are New York (4.1%), Connecticut (3.4%), Hawaii (3.2%), Wyoming (2.5%) and New Hampshire (2.0%). Remember, these numbers reflect percentages only. The printing industry in New York, for instance, is a little over 188 times as large as the printing industry in Alaska.

Overall, the industry is still a long way from being fat and relaxed, but printers surveyed showed slightly fewer losses and higher profits for last year than for the year before.

Reprints of this installation of *Print Market Trends* may be ordered from Carol Bien, Cahners Publishing, Reprint Department, 1350 E. Touhy Ave., Des Plaines, Ill., 60018. ■



Jean Wernberg

By Peter Johnston
Special Projects Manager

Regional Overview

The printing industry is a major factor in the economy of the United States. It employs approximately 808,000 people, making it second only to automobiles among manufacturing industries. As can be seen from

these figures, the industry is heavily concentrated on the Eastern Seaboard and in the upper Midwest (see next page for a key to the regions). Revenue figures given are not adjusted for inflation.

COMMERCIAL PRINTING

Value of Shipments

Region	Sales, 1990 (\$ million)	% of U.S.
New England	\$ 5,503	7.0%
Mid Atlantic	14,670	18.6%
South Atlantic	11,714	14.9%
East North Central	17,335	22.0%
East South Central	4,288	5.5%
West North Central	7,017	8.9%
West South Central	5,578	7.1%
Mountain	2,754	3.5%
Pacific	9,839	12.5%
TOTAL	\$78,698	100%

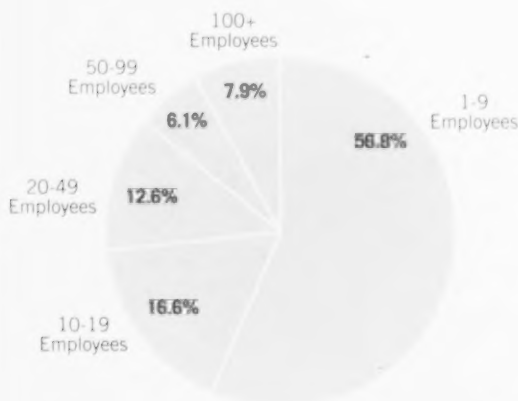
Total Sales, 1989 (\$ million)	% change (1989-1990)
\$ 5,123	7.4%
13,736	6.8%
10,854	7.9%
16,238	6.8%
4,006	7.0%
6,561	6.9%
5,203	7.2%
2,542	8.3%
9,123	7.8%
TOTAL	7.2%

Printing Sites

Region	Sites
New England	2,302
Mid Atlantic	7,272
South Atlantic	5,848
East North Central	6,798
East South Central	1,488
West North Central	2,565
West South Central	3,194
Mountain	1,733
Pacific	5,946
TOTAL	37,146

Source: PIA Economics Department

All Graphic Arts Plants, by Employee Count



Source: GAM 1990 Plant Equipment Market Profile

Charts and graphs by Lisa Hilgers

All Graphic Arts Plants, by Function

Function	# of Plants
Commercial	26,818
Newspaper (w/Commercial)	1,539
Newspaper (w/o Commercial)	1,883
Book & Pub	2,453
Business Forms	804
Converters	1,956
Noncommercial	7,742
Trade	4,267
Quick Printers	6,716

Source: GAM 1990 Plant Equipment Market Profile

DEMOGRAPHICS

If current trends continue, we may expect to see the primacy of the East North Central and Mid Atlantic regions diminish somewhat as the industry follows workers and customers into the growing South Atlantic and Pacific regions.

Population and Population Changes

Region	Population	Rank	Change (1980-86)
New England	12,737,000	8	3.1%
Mid Atlantic	37,279,000	3	1.3%
South Atlantic	40,916,100	2	10.7%
East North Central	41,738,000	1	0.1%
East South Central	15,209,000	7	3.7%
West North Central	15,576,000	6	2.3%
West South Central	26,863,000	5	13.1%
Mountain	12,981,000	9	14.5%
Pacific	35,737,000	4	12.4%
TOTAL	241,078,000		6.4%

Educational Attainment

Region	High School Graduates	College Graduates
U.S. Average	66.5%	16.2%
New England	70.5%	19.2%
Mid Atlantic	66.0%	16.6%
South Atlantic	61.3%	15.7%
East North Central	67.3%	14.1%
East South Central	55.3%	12.1%
West North Central	69.6%	15.1%
West South Central	61.5%	11.1%
Mountain	75.2%	11.1%
Pacific	74.3%	11.1%

Source: U.S. Dept. of Commerce, Bureau of the Census

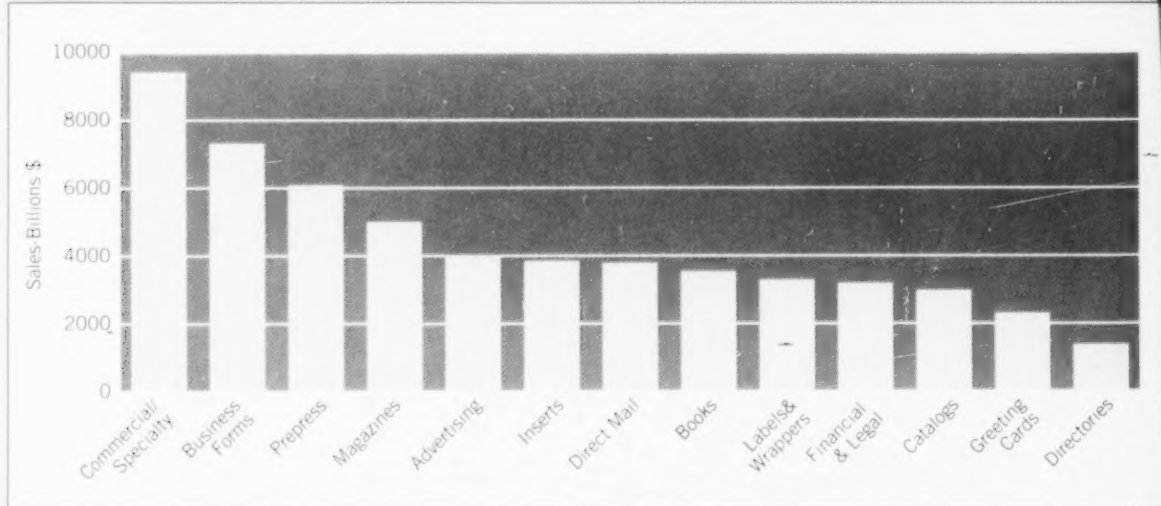
Market Profile

U.S. Printing Market Segments

Here we order the market segments by size for the entire United States (chart, below) and compare them to the geographical distribution of the three largest segments (chart, page bottom). In dividing the country into nine regions we follow the practice of the Bureau of the Census.

These nine regions are: New England; Mid Atlantic;

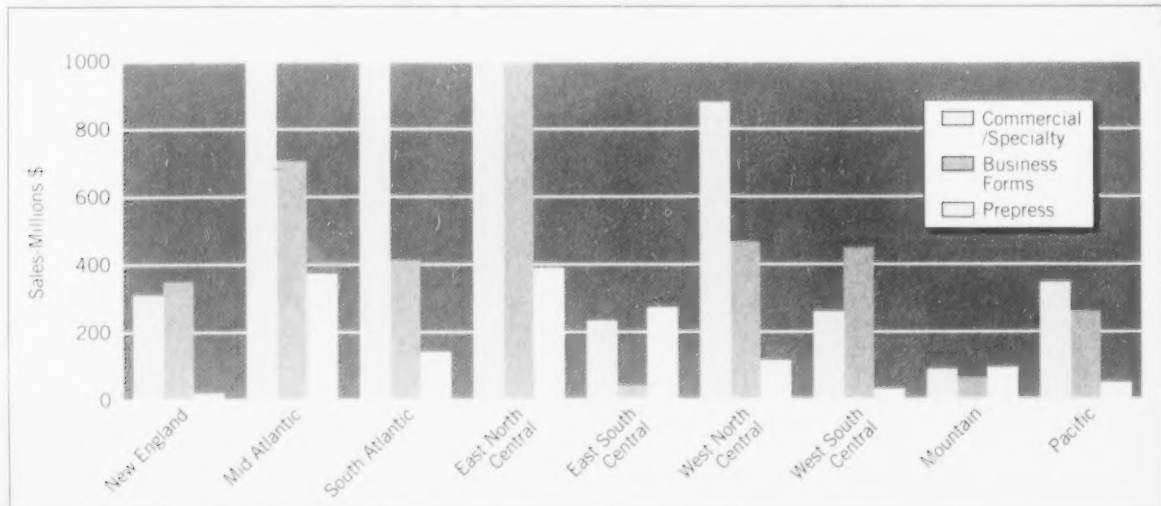
South Atlantic; East North Central; East South Central; West North Central; West South Central; Mountain; and Pacific. The Bureau further delineates the West (Mountain Pacific), the Midwest (West and East North Central), South (West and East South Central and the South Atlantic) and the Northeast (Mid Atlantic and New England).



Largest Printing Market Segments, By Region

Please note that some of the sales figures in the chart below are beyond the graph's perimeter. For reference purposes, these figures, measured in millions of dollars, are: Mid Atlantic, \$1,438.6 (Commercial); South Atlantic, \$1,107.7 (Commercial); East North Central, \$1,745.8 (Commercial) and \$4,314.2 (Business Forms).

As you can see, and as might be expected, the Mid Atlantic region (with its powerhouse states New York, Pennsylvania, and New Jersey) excels in commercial printing, along with the South Atlantic and East North Central regions; the latter states (Illinois, Ohio, Wisconsin, Michigan, and Indiana) are far and away tops in business forms printing.



Leading Printers in the Region

COMPANY	SALES	COMPANY	SALES	COMPANY	SALES	COMPANY	SALES	COMPANY	SALES	COMPANY	SALES
NEW ENGLAND		Meehan-Tooker, E. Rutherford, NJ	98.0	Bertelsmann, Berryville, VA	140.0	Graphisphere, Des Plaines, IL	120.0	Edwards Bros., Ann Arbor, MI	52.1	WEST NORTH CENTRAL	
Courier, Lowell, MA	105.3	Ameriscribe, New York, NY	88.0	Judd's, Washington, DC	107.2	Fleming Pkg., Peoria, IL	108.6	Printco, Greenville, MI	48.6	Deluxe, St. Paul, MN	1,413.5
Spencer, Wells, ME	55.5	Mack Printing, Easton, PA	81.2	Avanti Press, Miami, FL	52.0	Moebius, Milwaukee, WI	97.8	Noll, Huntington, IN	45.1	Brown, Waseca, MN	407.0
Northeast Graphics, N. Haven, CT	52.0	Case-Hoyt, Rochester, NY	78.0	Waverly, Baltimore, MD	45.2	Arandell-Schmidt, Menomonee Falls, WI	85.5	Graftek, Woodstock, IL	45.0	Jostens, Minneapolis, MN	176.0
Danbury Printing, Danbury, CT	48.0	Alford, Ridgefield Park, NJ	78.0	A.D. Weiss, Hollywood, FL	40.0	Petty, Effingham, IL	77.7	Solar Press, Naperville, IL	42.0	Merrill, St. Paul, MN	101.0
Acme, Wilmington, MA	40.0	L.P. Thebault, Parsippany, NJ	54.0	EAST NORTH CENTRAL		Continental Web, Itasca, IL	67.0	Kukla, Elk Grove Village, IL	40.0	Instant Web, Chanhassen, MN	90.0
Daniels, Everett, MA	36.0	Sheridan Group, Hanover, PA	53.3	R.R. Donnelley, Chicago, IL	3,497.9	Combined Comm., Lisle, IL	60.2	S. Rosenthal, Cincinnati, OH	36.4	Japs-Olson, Minneapolis, MN	46.7
MID ATLANTIC		Sandy Alexander, Clifton, NJ	52.0	World Color, Effingham, IL	682.1	Berlin Ind., Addison, IL	58.0	E/D Web, Cicero, IL	35.0	Universal, St. Louis, MO	46.0
Webcraft, N. Brunswick, NJ	261.0	SOUTH ATLANTIC		Ringier America, Itasca, IL	654.0	Webcrafters, Madison, WI	58.0	EAST SOUTH CENTRAL		Henry Wurst, N. Kansas City, MO	43.2
Bowne & Co., New York, NY	201.2	Arcata, Baltimore, MD	562.0	Banta, Menasha, WI	577.6	Sleepeck, Bellwood, IL	57.7	Sullivan, Brentwood, TN	554.0	WEST SOUTH CENTRAL	
Lehigh, Cherry Hill, NJ	161.1	John H. Harland, Atlanta, GA	371.3	Valassis, Livonia, MI	574.0	Ft. Dearborn, Chicago, IL	56.8	American Sig., Memphis, TN	360.0	Clarke American, San Antonio, TX	266.6
Shorewood, Farmingdale, NY	143.0	Graphic Ind., Atlanta, GA	329.1	Quad Graphics, Pewaukee, WI	454.0	Keller-Crescent, Evansville, IN	56.0	Gulf Printing, Houston, TX	112.0	Gulf Printing, Houston, TX	112.0
Queens, Long Island City, NY	137.0	Engraph, Atlanta, GA	220.2	Western, Racine, WI	405.0	Serigraph, West Bend, WI	55.6	Taylor Publishing, Dallas, TX	90.0	Century Graphics, Metairie, LA	80.0
U.S. Banknote, New York, NY	130.0	Stevens, Atlanta, GA	181.0	Perry, Waterloo, WI	185.0	Tech Web, Wheeling, IL	53.2	Hart Graphics, Austin, TX	72.5		
Ivy Hill, New York, NY	117.0	Cadmus, Richmond, VA	170.4	Alden, Elk Grove Village, IL	165.0	AGI, Melrose Park, IL	52.6				

Sales in millions of dollars, most recent fiscal year.

Source: Graphic Arts Monthly, 1991 GAMI 101.

Sales in millions of dollars, most recent fiscal year.
Source: Graphic Arts Monthly, 1991 GAM 101.

How Printers Are Doing

Based on a survey of firms in the region, conducted by Cahners Publishing

Profile of Respondents

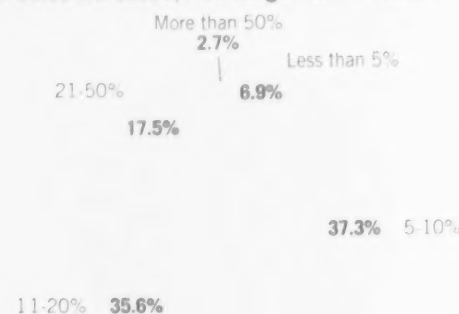
Commercial printers in all regions of the United States responding to a recent mail survey reported year-over-year changes in their annual sales, profitability, and operating capacity. They also revealed how they perceived the outlook for business in their area. The following information is as reported by survey respondents; 1990 gross sales were estimated.

Gross Sales in 1990	# of Employees
Less than \$500,000	7.0% 1-4 3.7%
\$500,000-749,999	16.3% 5-9 13.4%
\$750,000-999,999	13.9% 10-19 31.2%
\$1 million-2,499,999	28.1% 20-49 30.2%
\$2,500,000-4,999,999	17.2% 50-99 16.9%
\$5,000,000-9,999,999	14.5% 100+ 4.7%
\$10 million or more	3.1%

How Sales Changed, 1989 to 1990



If Sales Increased, How Large Was Increase?

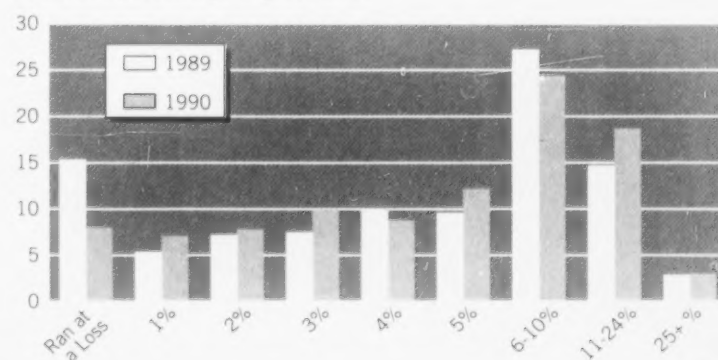


If Sales Decreased, How Large Was Decrease?

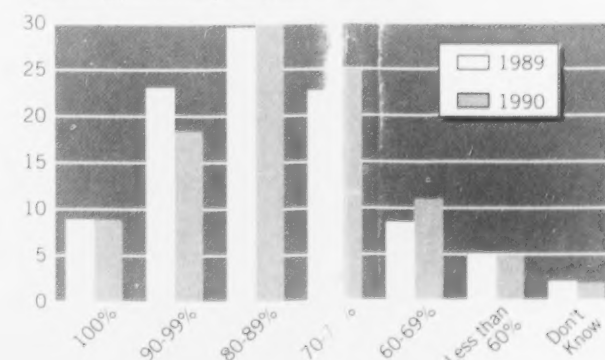


PROFITABILITY & CAPACITY

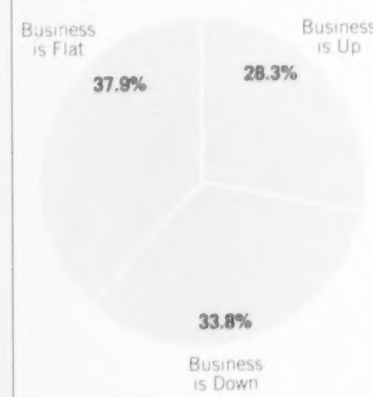
Profit as a percentage of gross sales



Operating percentage of plant capacity



Perception Index



Comments by Printers

- With the general recession and decline in military spending and tourism, I still believe our sales will be stable.
- The proliferation of copy shops has hurt the small printer.
- Competition from more sources plus price cutting makes it tough.
- My area is experiencing excellent growth, both in population and business activity.
- The trend is toward purchasing quality as opposed to shopping for price. The old axiom "You get what you pay for" is truer than ever.